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STATE FOR WHA/BSC, INL/LP (JIM HIDES), AND EB/IFD/OIA
STATE PASS TO USAID FOR LAC/AA
STATE PASS TO USTR FOR LYANG
NSC FOR SUE CRONIN
TREASURY FOR OSIA MAUREEN WAFER
TREASURY FOR OTA WARFIELD, VAN KOCH, MILLAR
COMMERCE FOR ITA SARAH COOK
SOUTHCOM FOR POLAD

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SUBJECT: PARAGUAY POLITICAL AND ECONOMIC UPDATE, SEPTEMBER
16 - 22, 2006

Classified By: PolOff James Merz; Reason 1.4 (b),(d).

(1) SUMMARY

-- ODC Trip to Chaco Peaks Interest of Bolivians
-- Interior Minister's Brother Arrested for Visa Fraud
-- GOP Official Complains About Paucity of U.S. CN Assistance
-- Meanwhile SENAD Arrests 3 More Traffickers

ODC Trip to Chaco Peaks Interest of Bolivians

¶2. (C) The Chief of Post's Office of Defense Cooperation (ODC) visited Paraguayan military bases in the three Departments in the Chaco, the vast, underpopulated region in northwest Paraguay, the week of September 18 as part of an orientation trip and in preparation for a future medical readiness exercise (MEDRETE). ODC's Chief flew to the region in Paraguayan aircraft and was accompanied by only 2 Embassy staff. One article in Paraguay's left of center Ultima Hora drew attention to the visit to Pozo Hondo-Chaco, which is located on Paraguay's tri-border with Argentina and Bolivia, overstating the number of Americans and suggesting residents of the area had complained the Americans were investigating the region for the presence of terrorists. ODC's Chief was informed that six Bolivian military officials crossed the border seeking information about the visit of the US military. Separately, Bolivian Embassy officials in Asuncion reportedly also made follow-on inquiries with Paraguay's Ministry of Defense. Paraguayan defense officials have asked the Foreign Ministry to formally complain to Bolivia about improper procedures used by Bolivian officials -- including the Chief of Staff of the 4th Army Brigade -- to cross into Paraguay. Paraguayans have an opportunity to pursue border issues and military cooperation further this week with the visit of the Bolivian Defense Minister.

Interior Minister's Brother Arrested for Visa Fraud

¶3. (SBU) Rommel Sapriza, the Deputy Director of the Police Department's Firemen's Corps, and also the brother of Vice Minister of Interior Mario Agustin Sapriza, was arrested on September 18 for "influence trafficking." Rommel was caught on a hidden camera several weeks ago offering to assist

someone to obtain a U.S. visa in exchange for \$150, maintaining he had a nephew inside the Embassy who would produce the visa. Sapriza never produced the visa and upon arrest was found with the passport of the individual still in his possession. There is no evidence he was working with anybody at the Embassy. (On the contrary, RSO and CONS had been working with local authorities in order to make the arrests.) There is also no evidence, his brother Mario Agustin Sapriza, was implicated. However, Vice-Minister Sapriza resigned on September 22 to avoid the risk some would claim that he was using his stature in the government to influence his brother's case.

GOP Official Complains About Paucity of U.S. Drug Assistance

¶4. (SBU) An unnamed GOP official traveling with President Duarte to NY for the UN General Assembly complained to the Paraguayan press about the reduction in U.S. (INL) assistance to Paraguay to combat drug trafficking. Noting a reduction in US assistance from approximately \$600,000 in 2005 to 400,000 in 2006, of which only \$110,000 was earmarked for fighting drugs, the official juxtaposed declining U.S. assistance with rising GOP effectiveness in arresting major traffickers and making significant seizures of drugs and weapons. Paraguay has been delivering this message to the Embassy on frequent occasion. Even President Duarte has publicly complained about the perceived U.S. downgrading of cooperation -- an otherwise shining example of successful bilateral cooperation. Post continues to remind GOP officials that US assistance to Paraguay writ large extends beyond \$58 million total in 2006 and that we are still drawing down on pipeline cash in excess of \$1 million to support GOP efforts to combat drug trafficking, money

laundering, TIP, and IPR violations. (NOTE: Come FY 07, however, unless our funds are replenished, our efforts to support GOP CN activities will be effectively eroded as we will have exhausted our CN funding almost entirely. END NOTE.)

Meanwhile SENAD Arrests 3 More Traffickers

¶5. (U) Meanwhile, SENAD keeps racking up arrests. In cooperation with the Brazilian Federal Police, agents from Paraguay's Anti-Drug Secretariat (SENAD) arrested three Brazilian citizens in two separate incidents in the city of Pedro Juan Caballero, on Paraguay's border with Brazil. SENAD arrested Paul Larson Dias and Marcelo Matos Da Silva on 9/13. Larzon is identified by SENAD as the stepfather of Jarvis Pavao, a major drug trafficker wanted in Brazil and in Paraguay. Larson and Matos were detained by public prosecutors; both have long criminal records in Brazil and ties to the major drug traffickers in both countries. SENAD agents arrested Claudio Quinhonez (AKA Marcos o ZAZA) on 9/15. Quinhoez is identified as Pavao's pilot and is wanted by Brazilian authorities on drug trafficking charges as well. CASON